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Chairman: Mr. Yousfi ..... (Algeria)
Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. Saha

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The meeting was called to order at 10.15 a.m.

Agenda item 119: Improving the financial situation of the United Nations

1. **Mr. Sach** (Controller) said his statement would focus on four main indicators of the Organization's financial health: assessments issued, unpaid assessed contributions, available cash resources and debt to Member States.

2. Turning first to the regular budget, he noted that the levels of both assessments and payments had been lower as at 31 October 2006 than as at 31 October 2005, by $73 million and $39 million respectively. The level of unpaid assessed contributions had decreased by $58 million, to $661 million. Only 122 Member States had paid their regular budget assessments in full by 31 October 2006, eight fewer than by 31 October 2005 and 18 fewer than by the end of 2005 of the total of $661 million outstanding as at 31 October 2006, over 95 per cent was owed by just four Member States, including almost 80 per cent by the United States of America alone.

3. The final position of cash resources for the regular budget for 2006 would depend largely on the action taken by those four countries; by the end of December 2006 $200 million might have to be borrowed from reserve accounts. Alternatively, if the United States paid the full amount of its 2006 assessment, the cash balance would be approximately the same as at the end of 2005. With regard to the month-to-month cash position, although it had been necessary to draw on reserves in December 2004 and in October and November 2005, in 2006 the cash balance of the General Fund had been positive.

4. A number of factors made it difficult to predict financial outcomes for peacekeeping activities: unpredictable demand; a peacekeeping financial period of 1 July to 30 June rather than 1 January to 31 December; that assessments were issued separately for each operation; and, since assessments could only be issued for the mandate period approved by the Security Council for each mission, that they were issued for different periods throughout the year. A further complication in 2006 was that since rates of assessment for peacekeeping were based on adjustments to the scale of assessments for the regular budget, and the current scale of assessments applied only until 31 December 2006, no peacekeeping assessments could be issued for periods beyond 31 December 2006, even though budgets had been approved by the General Assembly and mandate periods beyond the end of 2006 had been approved by the Security Council.

5. The amount outstanding for peacekeeping operations as at 31 October 2006, at $2.546 billion, had been more than $350 million lower than at the end of 2005. While that reduction was welcome, he noted that the amount outstanding at the end of 2005 had included assessments of almost $1.2 billion that had only been issued on 16 December 2005 and had therefore been within the 30-day due period at the end of the year. The more than $2.5 billion outstanding as at 31 October 2006 also included assessments within the 30-day period, but those assessments were lower, at $811 million. In addition, the amount currently outstanding did not include assessments for 2007 because rates of assessment were not yet available. It was estimated that assessments totalling over $1.5 billion would be issued early in 2007, assuming a new scale of assessment had been agreed. Over half of the amount currently outstanding was owed by two Member States and over 70 per cent by five Member States.

6. Cash available in peacekeeping accounts was just over $1.6 billion, but was divided between the accounts of a number of ongoing and closed operations and there were restrictions on the use of those resources. The General Assembly routinely specified that no peacekeeping mission should be financed by borrowing from other active missions and the terms of reference of the Peacekeeping Reserve Fund restricted its use to new operations and the expansion of existing operations. Therefore only cash available in the accounts of closed peacekeeping operations was available for borrowing. As at 31 October 2006 cash in the accounts of active missions had totalled approximately $1.188 billion, the Peacekeeping Reserve Fund had had a balance of $140 million, and the accounts of closed missions had totalled $310 million. He recalled in that regard that the Secretary-General had proposed the consolidation of peacekeeping accounts with a view to permitting more efficient management of peacekeeping resources.

7. The total cash available in peacekeeping accounts at the end of 2006 was expected to be $1.579 billion, with $1.149 billion in the accounts of active missions, $300 million in the accounts of closed missions and $130 million in the Peacekeeping Reserve Fund. Of the $300 million expected to be available in the accounts of closed missions at the end of 2006, $259 million related to amounts to be paid for outstanding liabilities, such as troop and equipment payments and credits to be returned to Member States. That left only $41 million available for cross-borrowing by other accounts, including the regular budget, the International Tribunals and active peacekeeping operations. That was a very thin margin for cross-borrowing, which had been required in 2005 for three active peacekeeping operations, the United Nations Mission in Kosovo (UNMIK), the United Nations Observer Mission in Georgia (UNOMIG), the United Nations Mission for the Referendum in Western Sahara (MINURSO) and the International Criminal Tribunal for Rwanda. Cross-borrowing from closed peacekeeping operations had again been necessary in 2006 for UNMIK, UNOMIG and MINURSO.

8. Debt to Member States at the end of 2006, based on revised estimates, would likely increase by over $300 million as a result of new obligations such as the full deployment of troops in the United Nations Operation in Côte d'Ivoire (UNOCI) and the United Nations Mission in Sudan (UNMIS), additional troops for the United Nations Organization Mission in the Democratic Republic of the Congo (MONUC), expansion of the United Nations Interim Force in Lebanon (UNIFIL) and the establishment of the United Nations Integrated Mission in Timor-Leste (UNMIT). The total number of troops and formed police units deployed had risen from 63,175 at the end of 2005 to 69,929 as at 30 September 2006.

9. Payments of troop and equipment obligations had been broadly current up to September 2006, except for MINURSO, UNMIK and UNOMIG, due to cash shortfalls in those missions. The estimated increase in debt to troop and equipment providers related to the final quarter of 2006. Due to delays in the receipt of contributions, exacerbated by the unavailability of rates of assessment for 2007, the Organization would not be able to make the payments it had anticipated making in the final quarter. Cash resources available would be needed to cover operating costs through the first quarter of 2007, by which time further payments of assessments should be available.

10. The financial position of the International Criminal Tribunal for Rwanda and the International Criminal Tribunal for the Former Yugoslavia had remained relatively healthy in 2006. Although payments received to date were somewhat lower than those received by mid-October 2005, the amount outstanding, $55 million, was $18 million lower. Although the number of Member States having paid their assessed contributions for both Tribunals in full by 31 October 2006, 85, was one more than in 2005, 106 Member States still had outstanding assessments for one or both Tribunals. The final financial position of the Tribunals would depend on the payment of assessed contributions by Member States by the end of 2006. Five Member States accounted for over 85 per cent of the unpaid contributions, the United States alone for more than two thirds. It was estimated that the final level of unpaid assessments would be similar to that at the end of 2005. If recent positive trends for cash flow for the Tribunals continued, they should end the year with positive cash balances, although the position of the International Criminal Tribunal for the Former Yugoslavia would be stronger than that of the International Criminal Tribunal for Rwanda.

11. The General Assembly had authorized assessments in the biennium 2002-2003, and in 2005 and 2006, totalling $152 million for preparatory activities for the capital master plan. By 31 October 2006 over $86 million had been received, with $66 million still outstanding. A report on the future implementation of the capital master plan and its financing would soon be submitted to the Committee.

12. The financial indicators for 2006 were mixed. On the positive side, cash available for the capital master plan at the end of 2006 was expected to increase compared with the situation at the end of 2005 and unpaid assessed contributions for peacekeeping operations were expected to decrease. However, the position of the regular budget was uncertain and the outcome for 2006 would depend on action to be taken in the next few weeks by a fairly small group of countries. Furthermore, there would likely be an increase in the Organization's outstanding obligations to Member States that contributed troops and equipment to peacekeeping operations. The financial health of the United Nations could not be assured unless Member States met their financial obligations to the Organization in a fuller and timelier fashion.

Agenda item 127: Report on the activities of the Office of Internal Oversight Services (*continued*) (A/61/264 (Part I) and (Part I)/Add.1-2)

13. **Ms. Ahlenius** (Under-Secretary-General for Internal Oversight Services), in response to questions raised by the delegation of Singapore, said the seven Procurement Task Force reports already completed had been transmitted by her to the respective programme managers, either the Under-Secretary-General for Peacekeeping Operations or the Under-Secretary-General for Management, with a copy to the Deputy Secretary-General and, in some cases, to the Legal Counsel. Action had been taken by them on five of those reports. A decision on the release of the reports to Member States would be taken by her in accordance with General Assembly resolution 59/272.

14. The Task Force's report on the investigation concerning the seventh staff member placed on administrative leave should be concluded on or around 15 November. A firm date for conclusion of the investigation into the eighth staff member could not be given since conclusion of the investigation would require cooperation from the staff member, including the provision of financial disclosure forms, and from individuals, Member States and financial institutions over which the Task Force had no authority. Notwithstanding that situation, however, an interim report would be issued, likewise on or around 15 November. Both reports would be submitted to the programme manager concerned, the Under-Secretary-General for Management, and a copy would also be provided to the Deputy Secretary-General.

15. She said the Procurement Task Force reports were subject to the same 30-day response time as other Office for Internal Oversight Services (OIOS) reports, although in some urgent cases OIOS had specified a 15-day deadline. She pointed out, however, that OIOS had no control over management's compliance with the deadline, and could only keep issuing reminders. Once reports were issued, any action to be taken was the responsibility of management.

16. With regard to the report by Deloitte & Touche, she said OIOS did not agree with its assertion that the Organization's oversight bodies, such as OIOS and the Headquarters Committee on Contracts, managed some risks but were not effective at preventing all wrongdoing within the United Nations Procurement Service. Risk management was the responsibility of management, not OIOS. Attempting to manage risks would impair the objectivity of internal audit activity, the role of which, in accordance with the professional standards followed by the OIOS Internal Audit Division, was limited to assisting the Organization by identifying and evaluating significant exposures to risk and thereby contributing to the improvement of risk management and control systems.

17. The Deloitte & Touche report had also referred to OIOS spot audits and the lack of resources for effective coverage to prevent internal control breakdown. In fact, despite resource constraints, OIOS had conducted many audits and investigations of procurement activities and issued numerous recommendations to address deficiencies and improve risk management and control. It was, however, the responsibility of management to take timely and effective corrective actions in follow-up to audits and investigations with a view to implementing controls and addressing accountability for lapses.

18. The Deloitte & Touche report had been referred to as a high-level analysis because its purpose was to evaluate internal controls in United Nations procurement operations. That had included a review of the operating environment as well as the main controls in processes, information systems, management and staffing, governance, ethics and integrity, which were the higher levels of control. The study had been an assessment, not an audit.

19. **Mr. Aljunied** (Singapore) asked whether any decision had been taken on when the reports on the OIOS investigations of staff members would be released to Member States. He also requested confirmation that the investigation of the seventh staff member on administrative leave had been completed and that the relevant report would be ready by 15 November, that an interim report concerning the investigation of the eighth staff member would likewise be prepared for 15 November, and that those reports would be submitted to the Under-Secretary-General for Management for action.

20. He took note of the deadlines for responding to OIOS reports and of the fact that action had been taken in response to five of the seven reports already transmitted to the Under-Secretaries-General concerned. Recalling that the Under-Secretary-General for Management had resigned effective 15 November 2006 he enquired whether, pending the appointment of

a replacement, the reports would still be transmitted, and if so, to whom, and whether action in follow-up to the reports could still be expected within the usual 30-day deadline.

21. **Ms. Ahlenius** (Under-Secretary-General for Internal Oversight Services) said no decision had yet been taken on a date for release of the OIOS reports to Member States, although drafting was moving forward on an urgent basis. She stressed, however, that appropriate procedures must be followed.

22. There could be some confusion about the number of reports. Although seven investigations and reports had been completed, only six related to the eight staff members placed on administrative leave; the seventh related to other staff. That meant that only the reports on the seventh and eighth staff members on administrative leave were still outstanding, with the report on the seventh staff member and at least an interim report on the eighth to be ready for 15 November. Those reports would be forwarded to the Under-Secretary-General for Management, or the official acting for the Under-Secretary-General, for action within the usual 30-day deadline.

The meeting rose at 10.55 a.m.